

VZCZCXRO5582

RR RUEHBZ RUEH DU RUEHGI RUEHJO RUEHMA RUEHMR RUEHPA RUEHRN RUEHTRO  
DE RUEHDS #0326/01 0481126  
ZNR UUUUU ZZH  
R 171126Z FEB 10  
FM AMEMBASSY ADDIS ABABA  
TO RUEHC/SECSTATE WASHDC 7800  
INFO RUEHZO/AFRICAN UNION COLLECTIVE  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUCNDT/USMISSION USUN NEW YORK 8071  
RUCPDO/DEPT OF COMMERCE WASHDC  
RUEHBS/USEU BRUSSELS  
RUEWMFD/HQ USAFRICOM STUTTGART GE

UNCLAS SECTION 01 OF 02 ADDIS ABABA 000326

SIPDIS

STATE FOR AF/FO, AF/RSA, AND AF/EPS

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [PREL](#) [AU](#)

SUBJECT: USAU -- CONGRESSMEN MEEKS, WATT HEAR AFRICAN UNION  
VIEW ON FINANCIAL CRISIS

This message is from USAU Ambassador Michael A. Battle.

¶1. Summary: In a meeting on February 17 at African Union (AU) headquarters, U.S. Congressmen Gregory Meeks, D-New York, and Melvin Watt, D-North Carolina, received a briefing about the impact of the global financial and economic crisis on African countries from AU Commission Deputy Chairperson Erastus Mwencha and Commissioner for Economic Affairs Maxwell Mkwezalamba. The AU outlined Africa's response to the crisis: promote regional integration, enhance domestic resource mobilization, accelerate the process of establishing pan-African financial institutions, and actively participate in the G-20 process. The financial crisis was one of several "external shocks" to hit Africa, but AU officials expressed optimism about the coming recovery. Both sides agreed that inadequate infrastructure posed a significant barrier to development in Africa, and that international financial institutions required new mechanisms to fund infrastructure projects. End Summary.

¶2. During their brief visit to Ethiopia, Congressmen Meeks and Watt and several staff members of the House Committee on Financial Services Committee met with AU officials to discuss the global financial crisis and its impact on African economies. USAU Ambassador Battle also was present. In his opening remarks, Rep. Meeks explained to AU Commission Chairperson Mwencha and Commissioner for Economic Affairs Mkwezalamba that the focus of the House Committee on Financial Services during the current five-nation African tour is to look at the impact of the financial crisis on African economies, as well as governance issues.

¶3. Deputy Chairperson Mwencha acknowledged that the financial crisis that harmed developed economies was contagious and spread to Africa. He said that the AU responded to the crisis by becoming an active participant in the G-20 process, using that forum to call upon developed countries and international financial institutions to urgently implement the recommendations and commitments made during the Pittsburgh G-20 Summit.

¶4. Mkwezalamba added that the financial crisis has preoccupied the AU since 2008 when the crisis spread to Africa and began having a negative impact on a number of micro- and macroeconomic variables. In November 2008, the African Development Bank, the AU Commission, and the UN Economic Commission for Africa organized a meeting in Tunis of African finance ministers and central bank governors to permit an exchange of information about the coming crisis. Mkwezalamba said the real impact did not come until 2009 when most African economies began experiencing a drop in tourism receipts, remittances, and export revenues, as well as weaker economic growth. Continent-wide economic growth that had

been projected at 2.4 percent in April/May 2009 had to be revised later in 2009 to 1.7 percent, Mkwezalamba said.

15. AU heads of state meeting in early 2009 decided on an appropriate response. One priority was to promote regional integration (i.e. greater intraregional trade among African economies) as a way to avoid the negative consequences of the financial crisis. Another priority was to focus on enhancing domestic resource mobilization. A third was to accelerate the process of establishing the pan-African financial institutions, such as the African Investment Bank, African Central Bank, and African Monetary Fund. The AU heads of state also agreed that the AU must actively participate in G-20 fora. The AU did, in fact, participate in the G-20 deliberations in London in April 2009, in Pittsburgh in September, and in St. Andrews, Scotland in November. A committee comprised of African central bank governors and finance ministers will prepare for the next G-20 forum in Canada in June.

16. At the G-20 meetings, the AU has advocated that the World Bank and the African Development Bank be given adequate resources to support African countries. The AU called for a General Capital Increase to be made available to Africa, and it called for an early replenishment of the International Development Association (the World Bank's soft-lending arm) and African Development Fund (the African Development Bank's soft-lending arm). AU heads of state reiterated this call at the January/February 2010 AU Summit. In addition, the AU has continued to push for reforms within the International Financial Institutions (IFIs), including advocacy for a third

ADDIS ABAB 00000326 002 OF 002

seat for sub-Saharan Africa on the World Bank Board of Governors. Africa also is seeking changes in the way Special Drawing Rights (SDRs) are allocated by requesting that developed countries' unused SDRs be made available to developing countries.

17. Mkwezalamba appealed to the Congressional delegation that the United States and the AU should help one another in addressing the financial crisis. The AU, he added, is seeking ways of how best to reposition the continent to recover from the crisis as soon as possible. Mwencha reminded the Congressional delegation that Africa has been hit with a series of "external shocks" that have included an acute food shortage and a sharp rise in energy prices. "Beyond that," he continued, "We have a chronic phenomenon rising from climate change" that affects one-quarter of the continent's population.

18. Despite these challenges, Mwencha said he remains optimistic that growth can be generated in Africa. Some African economies are experiencing growth rates of 8 to 9 percent, he told the delegation. Countries that have relied on primary produce exports and that suffered during the financial crisis are now starting to recover, he noted. Further regional integration will lessen the impact to African economies, and one way to accomplish that is to promote greater intraregional trade, he said. But Africa is "not out of the woods," Mwencha said. He sees a lack of commitment and U.S. protectionism threatened progress on WTO. Mwencha also noted the decline in Official Development Assistance (ODA) support to Africa.

19. In response to the AU officials, Congressman Meeks acknowledged that many economic reforms were under way in Africa before the onset of the financial crisis. He said the U.S. was studying whether to recapitalize the IFIs. Congressman Meeks agreed with the AU view that regional development was critical and noted that inadequate infrastructure was one of the barriers to regional development. He said the U.S. could contribute expertise and capital to bolster Africa's infrastructure. Mwencha replied that Africa lacked the mechanisms that would facilitate infrastructure funding on a regional scale. All agreed that

this needed further study.

¶10. Congressman Watt addressed Mwencha's concern about U.S. domestic considerations having an impact on potential trade with Africa. He characterized it as a temporary phenomenon. During the financial crisis, politicians have tended to pay more attention to problems such as creating employment opportunities in their constituencies. The AU officials nodded in agreement.

¶11. The Congressional delegation said they looked forward to continuing their exchange with the AU Commission officials when they are in Washington in April for the planned dialogue between the USG and the AU.  
YATES